

Adj. Hearing Date: April 30, 2021 at 10 a.m. (Prevailing Eastern Time)
Adj. Objection Deadline: April 21, 2021

CULLEN AND DYKMAN LLP
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Garden City, NY 11530
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Matthew G. Roseman
Thomas R. Slome
Amanda Tersigni

Counsel for Certain Diocesan Parishes

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

In re:	:	Chapter 11
THE ROMAN CATHOLIC DIOCESE OF	:	Case No. 20-12345 (SCC)
ROCKVILLE CENTRE, NEW YORK,	:	
Debtor. ¹	:	
	:	

**DECLARATION OF THOMAS R. SLOME IN SUPPORT OF OBJECTION OF
PARISHES TO MOTION OF THE OFFICIAL
COMMITTEE OF UNSECURED CREDITORS FOR ENTRY OF AN
ORDER PURSUANT TO BANKRUPTCY RULE 2004 DIRECTING DEBTOR
TO PRODUCE ELECTRONICALLY STORED ACCOUNTING INFORMATION**

I, THOMAS R. SLOME, declare as follows pursuant to 28 U.S.C. § 1746:

1. I am a partner in the law firm Cullen and Dykman LLP, counsel for certain parishes of The Roman Catholic Diocese of Rockville Centre, New York (the “Diocese” or “Debtor”).
2. I submit this declaration to provide certain factual information in connection with the *Objection Of Parishes To Motion Of The Official Committee Of Unsecured Creditors For*

¹ The Debtor in this chapter 11 case in The Roman Catholic Diocese of Rockville Centre, New York and the last four digits of its federal tax identification number are 743723.

Entry Of An Order Pursuant To Bankruptcy Rule 2004 Directing Debtor to Produce Electronically Stored Accounting Information (the “Objection”) being filed contemporaneously with this declaration (the “Declaration”). The Objection and Declaration are being filed in opposition to the *Motion Of The Official Committee Of Unsecured Creditors For Entry Of An Order Pursuant To Bankruptcy Rule 2004 Directing Debtor to Produce Electronically Stored Accounting Information* (the “Motion”) [Dkt. No. 437].

3. Attached hereto at **Exhibit “A”** is a true and correct copy of an e-mail sent on March 19, 2019 to most of the Parish Counsel (as defined in the Objection) from attorney Christopher J. DiPompeo of Jones Day (“Diocesan Counsel”) forwarding an email from attorney Brittany M. Michael of Pachulski Stang Ziehl & Jones LLP (“Committee Counsel”), counsel for the Official Committee of Unsecured Creditors (the “Committee”), dated March 18, 2021. Ms Michael’s email conveyed Committee demands for eleven categories of information (the “Informal Demands”) that it wanted from or about the parishes of the Diocese.

4. Later in that day, Mr. DiPompeo and other Diocesan Counsel asked Parish Counsel if they would consider agreeing to participate in a “meet and confer” with the Committee to discuss the Informal Demands. The request was related to negotiations between the Committee and the Diocese over an extension of the existing preliminary injunction against prosecution of the Child Victims Act (“CVA”) litigation pending in state courts against the Diocese and certain of the parishes, among others. Parish Counsel expressed their willingness but also some concerns about timing issues considering the then upcoming Holy Week and the Easter Holiday and their combined representation of 136 parishes.

5. Between the time of that request and the filing of the Motion on April 1, 2021, Parish Counsel agreed with the Diocese and Committee on the timing of a meet and confer with

the Committee and for providing the Committee with informal objections, if any, to the Informal Demands, with the first meet and confer to occur on or before April 14, 2021 and informal objections to be provided by May 15, 2021. That agreement resulted in a consensual extension of the preliminary injunction, which agreement and extension are reflected in the *Stipulation and Agreed Order Extending the Termination date of the Preliminary Injunction Staying Continued Prosecution of Certain Lawsuits*, (“PI Stipulation,” AP Dkt. No. 69), ¶¶ 3-4.

6. Later on the day the PI Stipulation was “So-Ordered” (*i.e.*, April 1, 2021), the Committee filed the Motion, which requests a “backed-up copy of the accounting system” of the Debtor, which seeks from the Diocese much of the same information in the Informal Demands such as bank and investment account balances.

7. The next day, April 2, 2021, Parish Counsel inquired of Diocesan Counsel about what parish financial information was included in the backed-up accounting system. Diocesan Counsel informed Parish Counsel that the Debtor’s backed-up accounting system contains extensive amounts of information relating to the parishes, including all financial data of certain parishes that utilize bookkeeping services of the Debtor, as well as other financial information regarding all parishes. Parish Counsel were informed such information may contain details about all the cash, investments and bank account information about parishes.

8. On Friday, April 9, 2021, during the first meet and confer, Committee Counsel advised Parish Counsel and Diocesan Counsel that the discovery the Committee seeks about parishes’ finances through the backed-up accounting system and the Informal Demands would be used by the Committee to ascertain the cash and assets of the parishes for the Committee’s evaluation of any substantial contribution that the parishes might make as part of any plan that would include a channeling injunction of the CVA litigation against the parishes.

9. At the meet and confer, Parish Counsel asked for an explanation of what they perceived to be certain ambiguities in the eleven categories comprising the Informal Requests and indicated that Parish Counsel would need to discuss with their parish clients the requests, including if their clients had or could readily assemble such information or had objection to providing some of it, and to convey any such objections prior to the May 15th agreed deadline. The parties to the meet and confer agreed to keep that dialog going and scheduled a second and third meet and confer for April 23rd and 28th respectively. The parties noted that the deadline for the Diocese and parishes to object to the Motion was April 21, 2021 and that the meet and confer scheduled for April 23rd could be used to discuss any objections to the Motion.

10. Parish Counsel have communicated the Informal Demands to their clients and have begun the process of having them consider what information covered by the Informal Demands would be available to the parishes and what steps it would take to find and assemble such information. With 136 parishes represented by the four Parish Counsel, the process is going to be time-consuming, particularly given the non-uniform way that the parishes keep financial records, and parishes' differing levels of financial sophistication and resources, among other things. In addition, with the Motion pending and its much shorter deadline for a response than May 15th (*i.e.*, April 21st), Parish Counsel have had to concentrate primarily on obtaining feedback from their clients about the Motion and addressing their concerns adequately through the Objection.

11. The pastors of those parishes to whom I have spoken about the Motion and/or the Informal Demands have raised concerns about why the Committee would be entitled to receive all or virtually all financial information about their parishes. I have tried to explain the Committee's view and the legal context in which it is made. It is all very hard for many of them

to understand (including why they would need or want a channeling injunction or why they would give up anything to obtain one when their parishes have, in their view—and particularly the ones not sued—done nothing wrong, and they have insurance).

12. Pastors have expressed to me sentiments along the lines of the Committee's desire for their parishes' financial information as being "intrusive" and being an invasion of their parishes' and parishioners' privacy. Perhaps most importantly, some of them have expressed great concern about how parishioners might react to a Committee made up primarily of CVA plaintiffs obtaining such private information to use against them to extract money from their parishes and parishioners when in the view of the pastors and parishioners, their parishes have done nothing to hurt anyone, but rather quite the opposite. One pastor told me that the most valuable asset they have is the trust put in them by their parishioners to protect their parishes' ability to carry out the mission of the Church and they must protect their parishes to retain the trust of their parishioners.

13. Based on input from pastors and other parish leadership, I believe that the reorganization process in this case is extremely delicate and that, while I am hopeful and confident that the professionals on all sides will do everything possible to move the case toward a constructive resolution, the views and the feelings of the people involved in the parishes and their mission (along with victims of abuse of course) must be paramount.

14. Attached hereto at **Exhibit "B"** is a true and correct copy of page 21-25 from the transcript of the October 1, 2020 (*i.e.*, first day) hearing in this case.

15. Attached hereto at **Exhibit "C"** is a true and correct copy of pages 66-69 from the transcript of the November 18, 2020 hearing in this case (relating mainly to the Debtor's motion

to approve the retention of certain professionals by the “Independent Review Committee” formed by the Diocese).

16. Attached hereto at **Exhibit “D”** is a true and correct copy of pages 156-159, 167-169 and 227-228 from the transcript of the October 11, 2019 hearing in *In re Purdue Pharma L.P.*, Case No. 19023649, Adv. Pro. No. 19-08289 (Bankr. S.D.N.Y. Oct. 11, 2019) [Dkt. No. 87].

17. Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Executed in Garden City, New York, on April 21, 2021.

s/Thomas R. Slome
THOMAS R. SLOME

EXHIBIT A

Slome, Thomas

From: DiPompeo, Christopher J. <cdipompeo@jonesday.com>
Sent: Friday, March 19, 2021 9:11 AM
To: Slome, Thomas; tdriscoll@moritthock.com; Roseman, Matthew;
wheuer@westermanllp.com; jwesterman@westermanllp.com; aladd@westermanllp.com;
gdiconza@archerlaw.com; mtroiano@moritthock.com
Cc: Stephens, Eric P.; Rosenblum, Benjamin; Butler, Andrew M.; Geremia, Todd R.; Ball,
Corinne
Subject: [EXTERNAL] FW: DRVC - PI Extension Notice

All,

We look forward to speaking with you this morning. We received the email below yesterday from the Committee. It includes the Committee's parish-related document requests. We are still thinking through these issues, but we can have an initial discussion this morning.

Best,
Chris

Christopher DiPompeo ([Bio](#))

Partner

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cdipompeo@jonesday.com

From: Brittany M. Michael <bmichael@pszjlaw.com>

Date: Thursday, Mar 18, 2021, 3:04 PM

To: Butler, Andrew M. <abutler@jonesday.com>, Karen B. Dine <kdine@pszjlaw.com>, Ilan D. Scharf <ischarf@pszjlaw.com>

Cc: Stephens, Eric P. <epstephens@jonesday.com>, DiPompeo, Christopher J. <cdipompeo@jonesday.com>

Subject: RE: DRVC - PI Extension Notice

** External mail **

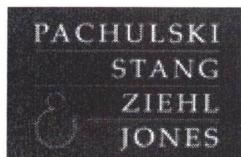
All,

As we discussed on Tuesday, the Committee will agree to a 60-day extension of the preliminary injunction, with the requirement that the Diocese and the Parishes produce the below information to us, in addition to the CVA documents from the initial stipulation that are still pending, before the stipulation is further extended beyond those 60 days. We are also open to including a mechanism that automatically extends the stipulation another 45 days as to any entity for which all of the below information has been provided. While we understand that some of the below information must come directly from the Parishes, and will ultimately want a certification from each Parish that it has produced all of the relevant information in its possession, we also expect the Diocese to provide all of the below information that is in its possession.

Many thanks,
Brittany

1. Annual financial reports to the Diocese for the past 10 years
2. Copy of electronic accounting system(s) in native format(s) (e.g. electronic data files).
3. Year-end unaudited or internal financial statements and annual reports for the last ten years.
4. Audited Financial Statements for the last 10 years, if they exist.
5. List of all general ledger accounts (i.e. chart of accounts for each Parish)
6. Listing of all bank, money market, investment or other accounts maintained by Parishes over the past 10 years (whether currently open or closed), including institution, account name, account type, account description, account number, general ledger account number, open date, close date and current balance.
7. All inventories of Parish real property from 2014 to present.
8. All inventories of Parish personal property from 2014 to present.
9. If real property was transferred in last 6 years, the date, transferee, consideration and a copy of transfer transaction documents.
10. All agreements between Diocese and Parishes for the last 10 years. If identical agreements were entered into with multiple agreement, one sample agreement and a schedule of other parties to similar agreements is sufficient.
11. Schedule of transfers between Parishes and any Diocese, affiliate, or other Parish from 2014 to the Petition Date.

Brittany M. Michael
Pachulski Stang Ziehl & Jones LLP
Tel: 212.561.7700 | Fax: 212.561.7777
bmichael@pszjlaw.com



Los Angeles | San Francisco | Wilmington, DE | New York | Houston

From: Butler, Andrew M. [mailto:abutler@jonesday.com]
Sent: Friday, March 12, 2021 4:01 PM
To: Karen B. Dine; Ilan D. Scharf; Brittany M. Michael

Karen, Ilan, and Brittany,

As we discussed on Tuesday, attached is a draft extension notice for the preliminary injunction. We look forward to discussing this with you at our regularly scheduled discovery call on Tuesday next week. In terms of timing, we think it makes sense to aim to have approval from our respective clients by 3/24, to allow us to file this extension notice on the docket in advance of the 3/31 termination date.

As we also discussed on Tuesday, below is a condensed status report on discovery. This includes some additional milestones we expect to reach in the near term.

1. 6 productions to date, over 1.25 million pages, more than 220,000 documents.
2. Productions include all priest and parish cards for Diocesan priests who are either on the published list or named in a CVA complaint.
3. Productions also include all audited financials for DRVC and affiliates back to 2014.
4. The IAC report, exhibits, and appendices were all produced immediately upon entry of the stipulation and order resolving the IAC 2004 motion. The production of underlying materials is already underway and will be completed today.
5. DRVC has gathered and is reviewing personnel files for all Diocesan priests who are either on the published list or named in a CVA complaint and will begin rolling productions of that material shortly.
6. DRVC is also prioritizing the production of the subset of IAC materials that are corporate and organization documents responsive to the UCC's priority RFPs, so as to avoid any inadvertent over-designation.

Thanks,

Andrew M. Butler
Associate
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EXHIBIT B

Page 1

1 UNITED STATES BANKRUPTCY COURT

2 SOUTHERN DISTRICT OF NEW YORK

3 Case No. 20-12345-scc

4 Adv. Case No. 20-01226-scc

5 - - - - - x

6 In the Matter of:

7

8 THE ROMAN CATHOLIC DIOCESE OF ROCKVILLE CENTRE, NEW YORK,

9

10 Debtor.

11 - - - - - x

12 THE ROMAN CATHOLIC DIOCESE OF ROCKVILLE CENTRE, NEW YORK,

13 Plaintiff,

14 v.

15 ARK 320 DOE, et al.,

16 Defendants.

17 - - - - - x

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Page 2

1 United States Bankruptcy Court
2 One Bowling Green
3 New York, NY 10004

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Page 3

1 HEARING re First Day Hearing

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3 HEARING re Doc #4 Debtor's Motion for Entry of Interim and
4 Final Orders (I) Authorizing and Approving Special Noticing
5 and Confidentiality Procedures, (II) Authorizing and
6 Approving Procedures for Providing Notice of Commencement,
7 and (III) Granting Related Relief

8

9 HEARING re Doc #5 Debtor's Motion For Interim and Final
10 Orders Authorizing the Debtor to (I) Pay Prepetition
11 Employee Wages, Salaries, Benefits and Other Related Items;
12 (II) Reimburse Prepetition Employee Business Expenses; (III)
13 Continue

14

15 HEARING re Doc #6 Debtor's Motion For Interim and Final
16 Orders Authorizing the (I) Payment of Certain Prepetition
17 Invoices For Psychological Counseling, Therapy and Related
18 Treatment, (II) Continuation of Its Prepetition Practice of
19 Paying For Certain Psychological Counseling, Therapy and
20 Related Treatment, and (III) Granting Certain Related Relief

21

22 HEARING re Doc #21 Application of Debtor For Authorization
23 to Retain and Employ Epiq Corporate Restructuring, LLC as
24 Claims and Noticing Agent Nunc Pro Tunc to the Petition Date

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Page 4

1 HEARING re Doc #7 Debtor's Motion For Entry of Interim and
2 Final Orders (I) Authorizing the Continued Use of the
3 Debtor's Cash Management System, Bank Accounts and Business
4 Forms and (II) Granting Related Relief

5

6 HEARING re Doc #10 Debtor's Motion For Entry of Interim and
7 Final Orders Authorizing the Debtor to Continue Its
8 Insurance Programs and Pay Related Obligations

9

10 HEARING re Adversary proceeding 20-01226-scc The Roman
11 Catholic Diocese of Rockville Centre Ne v. ARK 320 DOE et
12 al. Doc #5 Debtor's Motion For Entry of a Scheduling Order
13 With Respect to Its Motion For Preliminary Injunction Under
14 Sections 361 and 105(a) for the Bankruptcy Code

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25 Transcribed by: Sonya Ledanski Hyde

Page 21

1 there might, tragically, be people even younger who were
2 abused by people for whom the Diocese is responsible.

3 But even if it was the last century, those men and
4 women are alive today. They suffer today. Their memories
5 are very clear today. And the fact that this happened a
6 while ago doesn't change the pain and the suffering, the
7 trauma, and the loss of faith that to one degree or another
8 all of them have experienced.

9 To us, it's very important to the survivors. It
10 is extremely important that you come to an understanding --
11 and it will take some time, I suspect -- of the perspective
12 of an abuse survivor. So it speaks volumes to us -- allow
13 me to use that pronoun occasionally -- that the Bishop
14 apparently is not at today's hearing. There is no clergyman
15 that's been introduced at today's hearing. The Bishop's
16 letter, which is available on the diocesan website, offers
17 no apology to anyone, including those that have reached
18 settlements with the Dioceses from whom the insurance
19 coverage issues do not pose a threat or a risk. And that
20 perspective is hurtful to survivors.

21 This is not case solely about property. This is
22 not a case solely about insurance coverage. We appreciate,
23 the Pachulski firm appreciates and the state court counsel
24 that have been through several of these cases understand
25 that you as a bankruptcy judge in this proceeding can only

Page 22

1 do so much. IT's a legal proceeding, and it's very
2 specialized legal proceeding. But this case, to be
3 successful, needs to appreciate the perspective of a
4 survivor.

5 And so when we hear the characterization of the
6 diocese as essentially a buyer's club for parishes, be it
7 insurance or services, it really in our opinion does not
8 properly characterize the true relationship between a
9 Catholic bishop, the pastors who he appoints to parishes,
10 the parishes, and these non-debtor Catholic entities, be
11 they schools or nursing homes, or other facilities, that
12 this is not some CEO that sits upon a corporate structure.
13 The relationship between the Bishop and all of those
14 entities is entirely different than simply corporations that
15 have some relationship to one another.

16 And then finally, Your Honor -- and I'll wait as
17 Ms. Ball goes through the individual motions, because we
18 have some comments -- we would ask you to make clear that
19 there will be no finding -- or I hope you'll say this --
20 that there will be no finding today as to what constitutes
21 property of the bankruptcy estate, and there will be no
22 finding regarding the relationship that exists between the
23 Diocese and these various entities that are referenced in
24 Mr. Moore's declaration. We appreciate that orders will be
25 entered today, that some if not all of the relief that is

Page 23

1 sought will be granted today, that the Court may clear that
2 it's not making determinations at least as to those two
3 areas.

4 Thank you, Your Honor. I appreciate your giving
5 me the chance to give you our overview of the Debtor.

6 THE COURT: All right. Thank you, Mr. Stang. Let
7 me start with your last point, which is a technical legal
8 point. Of course I won't be making any findings about what
9 is or is not property of the estate or anything having to do
10 with the nature of the relationship between the diocese and
11 the related entities, the parishes, the schools, catholic
12 charities, or anything of that nature.

13 Secondly, let me share with you a little bit about
14 my philosophy, the way I handle cases. I've certainly had
15 the pleasure of your firm appearing before me many times. I
16 don't know that you have personally. But these bankruptcy
17 cases that appear before me -- and this one is indeed
18 different -- they may involve property, but they are always
19 about people. And many times they involve, although perhaps
20 not on this scale, people who have experienced hurt in
21 various contexts as a result of power imbalances and the
22 like. So, I approach every case, and I will approach this
23 case, as being one about the people involved. And I will
24 apply the law with that in mind.

25 We are living in a divided world right now. So on

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1 this first day, which is a very important day in a case, I
2 want to try to recognize the very different perspective that
3 you have, but I want to keep an optimistic outlook that by
4 working together in this collective proceeding there is
5 going to be an outcome that will accomplish all parties'
6 objectives as well as possible.

7 If I might be so presumptuous, last week we lost
8 one of the greatest jurists of all time. Written on the
9 walls of Justice Ginsburg's chambers was the saying in
10 Hebrew, I'll translate, "Justice, justice shall you pursue".
11 It's not a typo. The word appears twice in the Torah to
12 emphasize the importance of focusing on justice and what it
13 means, and looking around and being aware of everyone's
14 perspective. I try to live up to that standard as well in
15 everything that I do.

16 There are two important things that we'll deal
17 with in the very first motion that Ms. Ball alluded to. I
18 wrote it down on my preparation pad in big letters. And
19 it's the word transparency. Transparency. When you can be
20 unsure as to the extent of which you can offer monetary
21 compensation, which is often not sufficient to compensate
22 creditors, victims, you absolutely can offer them utter and
23 complete transparency. That's what we're going to do.
24 That's the way of bankruptcy proceedings here in the United
25 States. And at every turn in this case, I am going to make

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1 sure that there is absolute transparency.

2 Secondly, that dovetails into the first motion,
3 and I'll turn it back to Ms. Ball in a moment. I want
4 everyone to make sure that as broad as possible notice is
5 going to be disseminated throughout this case so that those
6 affected and the family of those affected have every
7 opportunity to make a claim, to participate, whether or not
8 they have a claim related to something that occurred last
9 year or last century. What that looks like exactly, I'm
10 going to need everyone's help to do that. Where notice is
11 published, how it's published, how it's communicated, et
12 cetera.

13 And the final thing that I'll say is that fully
14 recognizing the need to respect the privacy of the
15 individual victims, we should create a way for any victim on
16 an anonymous basis to be able to listen in to a hearing.
17 And we can do that a number of ways. We can do that through
18 you, Mr. Stang, or any of the other attorneys so that if --
19 and again, I am by no means an expert. I would never
20 suggest doing something that would make anyone experience
21 any more pain. But to the extent that parties tell me that
22 they'd like to have their clients listen in, then that's
23 what you ought to do. That's also towards the end of there
24 being absolutely transparency and folks not having to always
25 rely on lawyers telling them what happened.

EXHIBIT C

Page 1

1 UNITED STATES BANKRUPTCY COURT

2 SOUTHERN DISTRICT OF NEW YORK

3 Case No. 20-12345-scc

4 - - - - - x

5 In the Matter of:

6

7 THE ROMAN CATHOLIC DIOCESE OF ROCKVILLE CENTRE, NEW YORK,

8

9 Debtor.

10 - - - - - x

11 Adv. Case No. 20-01226-scc

12 - - - - - x

13 THE ROMAN CATHOLIC DIOCESE OF ROCKVILLE CENTRE, NEW YORK,

14 Plaintiff,

15 v.

16 ARK 320 DOE, et al.,

17 Defendants.

18 - - - - - x

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Page 2	Page 4
<p>1 Adv. Case No. 20-01227-scc 2 -----x 3 THE ROMAN CATHOLIC DIOCESE OF ROCKVILLE CENTRE, NEW YORK, 4 Plaintiff, 5 v. 6 ARROWOOD INDEMNITY COMPANY, et al., 7 Defendants. 8 -----x 9 10 11 United States Bankruptcy Court 12 One Bowling Green 13 New York, NY 10004 14 15 November 18, 2020 16 11:02 AM 17 18 19 20 21 BEFORE: 22 HON SHELLEY C. CHAPMAN 23 U.S. BANKRUPTCY JUDGE 24 25 ECRO: UNKNOWN</p>	<p>1 APPEARANCES: 2 3 JONES DAY LLP 4 Attorneys for the Debtor 5 250 Vesey Street 6 New York, NY 10281 7 8 BY: CHRISTOPHER DIPOMPEO (TELEPHONICALLY) 9 CORINNE BALL (TELEPHONICALLY) 10 BENJAMIN ROSENBLUM (TELEPHONICALLY) 11 TODD R. GEREMIA (TELEPHONICALLY) 12 ERIC P. STEPHENS (TELEPHONICALLY) 13 ANDREW BUTLER (TELEPHONICALLY) 14 BENJAMIN THOMPSON (TELEPHONICALLY) 15 16 PACHULSKI STANG ZIEHL & JONES LLP 17 Attorneys for the Committee of Unsecured Creditors 18 780 Third Avenue, 34th Floor 19 New York, NY 10017 20 21 BY: JAMES STANG (TELEPHONICALLY) 22 23 24 25</p>

Page 3	Page 5
<p>1 HEARING re Doc #60 Application to Employ Otterbourg P.C. as 2 Counsel to the Independent Advisory Committee 3 4 HEARING re Doc #61 Application to Employ Goldin, A Teneo 5 Company as Financial Advisor to the Independent Advisory 6 Committee 7 8 Adversary proceeding: 20-01226-scc The Roman Catholic 9 Diocese Of Rockville Centre v. ARK 320 DOE, et al., 10 Pre-trial Conference 11 12 Adversary proceeding: 20-01227-scc The Roman Catholic 13 Diocese Of Rockville Centre v. Arrowood Indemnity Company, 14 et al 15 Pre-trial Conference 16 17 18 19 20 21 22 23 24 25 Transcribed by: Sonya Ledanski Hyde</p>	<p>1 REED SMITH LLP 2 Special Insurance Counsel 3 599 Lexington Avenue 4 New York, NY 10022 5 6 BY: JOHN BERRINGER (TELEPHONICALLY) 7 8 COUGHLIN DUFFY 9 Attorneys for Arrowood 10 350 Mount Kemble Avenue 11 Morristown, NJ 07962 12 13 BY: KEVIN COUGHLIN (TELEPHONICALLY) 14 15 CLYDE & CO 16 Attorneys for Lloyd's London & London Market Companies 17 55 W. Monroe 18 Chicago, IL 60603 19 20 BY: CATHY SUGAYAN (TELEPHONICALLY) 21 22 23 24 25</p>

Page 6

Page 8

1 OTTERBOURG PC
 2 Proposed Counsel to the Independent Advisory Committee
 3 230 Park Avenue
 4 New York, NY 10169
 5
 6 BY: PETER FELDMAN (TELEPHONICALLY)
 7
 8 UNITED STATES DEPARTMENT OF JUSTICE
 9 Attorneys for the U.S. Trustee
 10 201 Varick Street, Suite 1006
 11 New York, NY 10014
 12
 13 BY: GREG ZIPES
 14
 15 ALSO PRESENT TELEPHONICALLY:
 16
 17 KAREN MORIARTY
 18 LEANDER JAMES
 19 JOSHUA WEINSTOCK
 20 ARTHUR GONZALEZ
 21 BRENDA ADRIAN
 22 ILAN SCHARF
 23 HARRIS J. GOLDIN
 24 CHARLES JONES
 25 JEFF ANDERSON

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Page 9

1 MELANIE CYGANOWSKI
 2 JENNIFER FEENEY
 3 TRUSHA GOFFE
 4 PATRICK STONEKING
 5 JAMES MOFFITT
 6 MATIN BUNIN
 7 JILLIAN DENNEHY
 8 LAUREN LIFLAND
 9 BRENDA HARKAVY
 10 JARED BORIELLO
 11 ANDREW BUTLER
 12 ANDREW CIRIELLO
 13 MICKEE HENNESSY
 14 WARREN MARTIN
 15 BRETT MOORE
 16 CHARLES MOORE
 17 BENJAMIN ROSENBLUM
 18 AMANDA TERSIGNI
 19 BENJAMIN THOMSON
 20 BRITTANY MICHAEL
 21 GEORGE CALHOUN
 22 PETER McNAMARA
 23 ELIZABETH CATE
 24 KAREN DINE
 25 FRANK OSWALD

1 PROCEEDINGS
 2 THE COURT: Good morning, everyone. This Judge
 3 Chapman. We're here this morning for a hearing in the case
 4 of the Roman Catholic Diocese of Rockville Centre, case
 5 number 20-12345. This hearing is being conducted entirely
 6 telephonically via the Court Solutions platform. A
 7 recording is being made of the proceedings. No individual
 8 or private recordings are permitted.
 9 I have a lengthy roster of those who have signed
 10 up to participate this morning. Please identify yourself
 11 for the record when you speak and identify the party on
 12 whose behalf you are appearing and please do so each time
 13 you speak so that we can create an accurate record.
 14 I am looking at an agenda that was filed on the
 15 docket on November 16th at docket number 160. So that's my
 16 starting point. If I could please ask everyone to keep your
 17 phones on mute unless and until you speak, that would help.
 18 Thank you very much. And who would like to start on behalf
 19 of the debtor today?
 20 MR. DIPOMPEO: Good morning, Your Honor. This is
 21 Christopher DiPompeo of Jones Day for the debtor.
 22 THE COURT: Good morning.
 23 MR. DIPOMPEO: I'm joined this morning -- morning.
 24 I'm joined this morning by my colleagues Corinne Ball, Ben
 25 Rosenblum, Todd Geremia, Eric Stephens, Andrew Butler, and

3 (Pages 6 - 9)

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1 trustee and the committee how this would all be set up,
 2 because a number of issues have been raised today that
 3 really weren't addressed by the papers.
 4 On the specific issues of the trustee's
 5 objections, Your Honor raised the point of employees and
 6 persons in control. I think the case law and persons in
 7 control is fairly well-established, that it has to be
 8 extensive control over the Debtor's day-to-day operations,
 9 and these IAC members simply don't have that. They have a
 10 narrow charge with respect to past transactions. Since
 11 2014, two affiliates over threshold amount, that --

12 THE COURT: Yes, I agree with you. I agree with
 13 you. Again, this is, you know, this is a very unique set of
 14 facts that we have, but I don't disagree with you in terms
 15 of the ordinary and the meaning of those words in the
 16 statute.

17 I want to make one more point, that frankly I
 18 thought Mr. Stang would make, but I'm going to make it, and
 19 I'm not putting words in this mouth, but these are just an
 20 observation that I want to make. So first principles for me
 21 are number one, there's obviously been a great deal of
 22 important, thoughtful and difficult work that's been done,
 23 and it behooves us all to find a way to take advantage of
 24 that, and not have to repeat that work.

25 Secondly, we're all struggling, and it's almost --

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1 it will almost be two hours, with, you know, it's like a law
 2 school exercise, parsing the words of the statute, trying to
 3 deal with the unique facts and challenges that this
 4 religious nonprofit presents us with and how to overlay that
 5 into the requirements of the code. And we're having a hard
 6 time, I'm having a hard time making it fit. You know, I
 7 feel like I'm just trying to jam apart into a machine and
 8 it's really not exactly the right part, and the right fit.

9 But finally, I don't want to lose sight of the
 10 fact that one of the important goals of this case is to
 11 provide as impeccable a process as is possible, for the
 12 benefit of the victims. That's the point of this. And also
 13 to enable the diocese to emerge from Chapter 11, and
 14 continue its mission and all the important work that it does
 15 on behalf of so many people. And because of that, it's
 16 important for there not to be any question mark, any cloud,
 17 any level of discomfort about how it is that we go about
 18 creating a recovery pool, and that includes pursuing
 19 litigation that involves transactions in which the diocese
 20 was a party. And that's important.

21 So that to the extent that this is a close call,
 22 and I certainly appreciate that the Jones Day folks have
 23 done an excellent job in advocating for why I shouldn't
 24 think that it's a close call, along with Mr. Feldman, and
 25 Mr. Stang has been creative, and evidence of willingness to

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1 think outside the box. But I think, you know, in a
 2 situation where, you know, I often say you know, there's an
 3 expression in baseball, the tie goes to the runner, so here
 4 I think, you know, in a close case, one thing that we ought
 5 to put on the scale, thumb on the scale is the appearance of
 6 it, and making sure that it's absolutely squeaky-clean and
 7 provides the victims with the feeling that it's a really
 8 good process that's being conducted in a way that serves
 9 their interest, and serves the interest of this case.

10 I am intrigued, and admit that it's one of the
 11 things that I was thinking about coming into this hearing as
 12 to whether or not using the device, or the role of someone,
 13 an examiner, or someone like an examiner, possibly, whether
 14 that would be one or more of the members of the IAC, and
 15 then looking to a new firm, to pursue the litigation,
 16 whether that doesn't check a lot of the boxes, and
 17 accomplish a lot of the goals that I would like to
 18 accomplish, and that I hope many of you share.

19 So I think it was Mr. Geremia who suggested that
 20 perhaps it would be a good idea to take this offline, and
 21 let you folks talk, and see what you come up with, and then
 22 we can resume the conversation, and then if you come up with
 23 something to present that's acceptable to the Court and
 24 acceptable to the U.S. Trustee, we could go from there, and
 25 if not, I'll render a decision. Was that you, Mr. Geremia

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1 who suggested that you still need to talk? Go ahead.
 2 MR. GEREMIA: Yes, I did. I think that will be
 3 fruitful.

4 THE COURT: Okay. Mr. Stang, is that okay --
 5 MR. GEREMIA: (indiscernible) I'm sorry, go ahead.
 6 THE COURT: Go ahead, I'm sorry. No, go ahead,
 7 I'm sorry.
 8 MR. GEREMIA: I was going to say, that should be
 9 fruitful. And in the event it's not, we would just ask for
 10 the opportunity to submit a response to the surreply,
 11 because some of the issues that we've confronted today have
 12 come about as a consequence of the fact that the diocese
 13 hasn't submitted a written response to Your Honor, to that
 14 surreply. But I think we should be able to work out the
 15 issues offline, talking to the trustee and the committee
 16 counsel. So hopefully will not come to that.

17 THE COURT: Okay, all right. That's fine, with
 18 respect to the, I guess it's a sur-surreply. And I'm
 19 hopefully that you'll have some fruitful discussion. So let
 20 me look at the calendar. Would it be useful to all of you
 21 to have a date and a time certain to return, or do you want
 22 me to leave it more open-ended? I know there's some urgency
 23 in getting this resolved.

24 MR. GEREMIA: Let me defer to Ms. Ball, or Mr.
 25 Rosenblum, who have other aspects of the schedule in mind.

18 (Pages 66 - 69)

EXHIBIT D

Page 1

1 UNITED STATES BANKRUPTCY COURT

2 SOUTHERN DISTRICT OF NEW YORK

3 Case No. 1923649-rdd

4 Adv. Case No. 19-08289-rdd

5 - - - - - x

6 In the Matter of:

7

8 PURDUE PHARMA L.P.,

9

10 Debtor.

11 - - - - - x

12 PURDUE PHARMA L.P., et al.,

13 Plaintiffs,

14 v.

15 COMMONWEALTH OF MASSACHUSETTS, et al.,

16 Defendants.

17 - - - - - x

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Page 2

1 United States Bankruptcy Court
2 300 Quarropas Street, Room 248
3 White Plains, NY 10601
4

5 October 11, 2019
6 10:11 AM
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21 B E F O R E :
22 HON ROBERT D. DRAIN
23 U.S. BANKRUPTCY JUDGE
24
25 ECRO: A. VARGAS

Page 3

1 HEARING re Adversary proceeding: 19-08289-rdd Purdue Pharma
2 L.P. et al v. Commonwealth of Massachusetts et al Motion
3 for Preliminary Injunction (document #2)

4

5 Opposition by the Consortium of Some Massachusetts and Other
6 Municipalities (ECF 31)

7

8 Objection of Nevada Counties (ECF 33)

9

10 Objection of The Multi-State Governmental Entities Group
11 (ECF 37)

12

13 Opposition Brief Matthew J. Gold on behalf of State of
14 Washington (ECF 38)

15

16 Limited Objection and Response of Arkansas and Tennessee
17 Public Officials (ECF 39)

18

19 The States' Coordinated Opposition to the Debtors Motion
20 (ECF 41) The States' Coordinated Opposition to the Debtors'
21 Motion (ECF 42) Objection and Response State of Arizona (ECF
22 51)

23

24

25

Page 4

1 Statement I Ad Hoc Committee's Statement in Support of a
2 Limited and Conditional Stay (ECF 62)
3 Statement Of The Raymond Sadder Family And Beacon Company In
4 Support Of The Debtors' Motion (ECF 63)
5
6 Response to Motion for Preliminary Injunction by Christopher
7 B Spuches on behalf of State of Florida (ECF #64)
8
9 Opposition /Joinder to the States' Coordinated Oppositions
10 to Debtors' Motion (ECF 66)
11
12 The Debtors have received informal responses from the
13 Official Committee of Unsecured Creditors. A number of
14 letters addressed to the court have been filed on the lead
15 case docket joining in the opposition of Massachusetts
16 Attorney General Maura Healey and 24 other attorneys general
17 to the Preliminary Injunction Motion.
18
19 HEARING re Adversary proceeding: 19-08289-rdd Purdue Pharma
20 L.P. et al v. Commonwealth of Massachusetts et al
21 Debtors' Motion for Entry of a Scheduling Order and a
22 Protective Order in Connection with the Preliminary
23 Injunction Motion (related document(s)2)
24
25

Page 5

1 HEARING re Adversary proceeding: 19-08289-rdd Purdue Pharma
2 L.P. et al v. Commonwealth of Massachusetts et al
3 Opposition Brief (related document(s)2)

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25 Transcribed by: Sonya Ledanski Hyde

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1 Purdue in 2007. And part of that was submitted with our
2 papers based upon the New York Attorney General's
3 investigation showing how \$1 billion has been transferred
4 through different shell corporations through different Swiss
5 accounts and wound up purchasing a beach house in Amagansett
6 and a townhouse in New York for millions of dollars, but not
7 in the Sackler's names.

8 So the problem with what's been happening here is
9 that the Sacklers are getting -- in the proposed settlement
10 structure, the Sacklers, who have \$13 to \$14 billion but who
11 have largely hidden it, are getting a free pass for putting
12 in \$3 billion.

13 THE COURT: Well, you're assuming I think, ma'am,
14 that because of your -- and this is consistent with your
15 reference to Metromedia -- that we are at the plan
16 confirmation stage and that the settlement term sheet is the
17 plan. That's not the case.

18 MS. KASWAN: Yes, Your Honor. Which brings me to
19 your inquiry during the last conversations. And that is
20 what more do we want from the Sacklers now for an
21 injunction?

22 THE COURT: Right.

23 MS. KASWAN: What I would like to see from the
24 Sacklers now is financial statements. I would like to see
25 an accounting of all of those different bank accounts that

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1 they have in all of the shell corporate names. I would like
2 to see that prepared under oath so that if in fact they do
3 secrete assets during the pendency of this preliminary
4 injunction, I'll be able to tell. How will I know if they
5 are further secreting and transferring assets that are
6 already in shell corporate names and in foreign countries,
7 or in this country, and then get transferred overseas if I
8 don't know what accounts they have, what names they are
9 using, what balances are in those accounts, and who is
10 holding those accounts and what are those account numbers.
11 So, Your Honor, with respect to that --

12 THE COURT: Could I ask you a question, ma'am? I
13 appreciate that the stipulation between the Committee and
14 the Debtors came out this morning, but isn't that what it's
15 supposed to address?

16 MS. KASWAN: But it doesn't, Your Honor. And the
17 reason it doesn't is because it uses the same language as
18 the terms sheet. And the terms sheet has no provision in it
19 to disclose the Sackler's assets. It doesn't have that in
20 it.

21 THE COURT: Well, at least when I read it, that's
22 not the case. But --

23 MS. KASWAN: Well, I can show Your Honor the
24 language. Because the same language is in Exhibit B --

25 THE COURT: I have another question of you also,

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1 which is in the litigation that is pending, is any of that
2 financial disclosure part of the discovery that you're
3 entitled to?

4 MS. KASWAN: Well, Your Honor, as I said, the New
5 York Attorney General has brought action against the
6 Sacklers as well as the company and the Court, and as well
7 as some of the other officers for Purdue who also were
8 personal counsel to the Sacklers --

9 THE COURT: So I'll talk to the New York counsel.
10 But in your litigation, is that -- I mean, usually that type
11 of pre-remedy discovery is not permitted. And if anything
12 it is permitted in the context of avoidance litigation.

13 MS. KASWAN: If I could respond, Your Honor. The
14 decision from the new York Supreme Court held that the
15 liability issues and the avoidance issues in terms of
16 secreting the assets are on the liability issues. So that
17 there -- so that the decision -- and this was with respect
18 to the claims against Stuart Baker, that those two were
19 combined so that that type of inquiry was at least being
20 contemplated by that court.

21 And, Your Honor asked, as I said, with respect to
22 the proposed voluntary injunction, that the Sacklers have
23 said or the representation was made in this court that the
24 Sacklers have not been secreting their assets. All I'm
25 asking is that they prove it. That's all I'm asking. And

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1 that included -- and that if there is a provision in the
2 voluntary injunction or in this Court's injunction, that is
3 going to say that the Sacklers cannot further secrete their
4 assets, we need to have a mechanism to enforce that
5 provision.

6 And, Your Honor, in connection with that -- and
7 again, Your Honor, we just attempted to come up with a few
8 provisions. If I could approach the Court?

9 THE COURT: Well, I think this is better done in
10 discussions among the parties.

11 MS. KASWAN: All right. Well, in other words,
12 Your Honor, what we are proposing is that it's not merely
13 the company that submits financial statements, but parties
14 who are the real debtors here are the Sacklers. And to the
15 extent there are going to be financial statements, we need
16 it from them. And because there is a history of secreting
17 assets, those should be signed under oath so that we don't
18 find out six months from now that their assertions about not
19 further frustrating judgements have not continued. I mean,
20 it seems to me that that is the base requirement for being
21 able to determine whether that provision is simply flawed.

22 And, Your Honor, I'm happy to give at least our
23 initial outline to Counsel at this table. I would --

24 THE COURT: Why don't you do that?

25 MS. KASWAN: Thank, you, Your Honor. And the

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1 that's not enough. That's not enough to extent the Section
2 105 injunction, much less the --

3 THE COURT: No, you're missing my point. And no
4 one factor in the caselaw is sufficient. Collateral
5 estoppel alone is insufficient. But if you're facing over
6 2,600 lawsuits and two or three go ahead, albeit where the
7 plaintiff in that lawsuit waives collateral estoppel but is
8 similarly situated as to the plaintiffs in even half of
9 those 2,600, then the debtors are going to have to defend
10 them.

11 MR. MACLAY: And, Your Honor, I understand what
12 Your Honor's thinking is on that point. Obviously our briefs
13 take a different position.

14 THE COURT: Based on what though?

15 MR. MACLAY: Based on the fact that the discovery
16 obligations on the Debtors would not be or have not been
17 shown to be substantial.

18 THE COURT: But that's -- that's a subset of the
19 issue. The issue is whether they would be litigating it,
20 because it's going to set the claim against them.

21 MR. MACLAY: But it wouldn't, Your Honor. I don't
22 think that a --

23 THE COURT: If it doesn't, then it's not really a
24 test case, is it?

25 MR. MACLAY: I'm not arguing for a test case, Your

1 Honor.

2 THE COURT: Some of your colleagues have.

3 MR. MACLAY: But I have a different position on
4 behalf of the municipalities that I represent, Your Honor.

5 THE COURT: All right.

6 MR. MACLAY: My position is and has always been
7 one of the purposes served by continuing the litigation
8 against the Sacklers is an evidentiary one, as you yourself
9 commented on earlier today. It's to get information from
10 the Sacklers. And our concern, having balanced at Exhibit B
11 this morning --

12 THE COURT: It comes back to information.

13 MR. MACLAY: It does.

14 THE COURT: All right, I understand that point.
15 And I'll hear the Debtors and the Committee on that issue.

16 MR. MACLAY: Right. And the stipulation that
17 you've been presented talks about the UCC; it doesn't talk
18 about the 40 million people that my clients represent.

19 THE COURT: I understand that point.

20 MR. MACLAY: Thank you, Your Honor.

21 THE COURT: On the other hand, in your litigation
22 against the Sacklers, will you be able to get disclosure of
23 their financials and of their companies before winning?

24 MR. MACLAY: Before winning, potentially not.

25 After winning, you certainly would, Your Honor. And this is

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1 one of the things that of course is precluded by such an
2 injunction.

3 THE COURT: In terms of the timeline, when do you
4 think you would win?

5 MR. MACLAY: When in terms of timing from now?

6 THE COURT: Yeah.

7 MR. MACLAY: It's hard for me to say, Your Honor.
8 I know that my clients have a variety of actions against the
9 Sacklers. I don't know how far along all of those are.

10 THE COURT: Not 180 days.

11 MR. MACLAY: Probably not, Your Honor.

12 THE COURT: Okay.

13 MR. MACLAY: And with respect to going back to the
14 caselaw for a second, Your Honor, the kind of legal backdrop
15 against which we're speaking, before extending injunctions
16 to protect non-debtors in Caesars, United Health, and third,
17 89th Associates, the court required assessing the enterprise
18 value of the non-debtor, examining the non-debtor's tax
19 returns, having evidence as to the effect of a judgement
20 against those entities. And none of that information is
21 available to us or has been presented to you.

22 THE COURT: It depends. If the premise of the
23 injunction is that they are going to be contributing and
24 nothing else, I agree with you. But I don't think that's
25 the premise here. We don't know what they are -- I mean, no

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1 as well as the Ad Hoc Group on information sharing.

2 MR. HUEBNER: Your Honor, here's what I would say,
3 and I was -- I chose my words by the low point of the day
4 for me --

5 THE COURT: Well, you've been up for 24 hours.

6 MR. HUEBNER: I -- well, I've actually been up for
7 about 72 hours, but --

8 THE COURT: All right.

9 MR. HUEBNER: So, Your Honor, here's what I would
10 say. There are several things, that while people arguably
11 should've called us before, everybody's working around the
12 clock and they have different situations. Right? If there
13 are provisions in the self-injunction that people -- as you
14 noted yourself, Your Honor, and I'm not criticizing, I'm
15 just noting what I think the Court said -- whatever, it was
16 Paragraph 73 or 74 in their objection --

17 THE COURT: Yeah.

18 MR. HUEBNER: -- didn't give us what we needed to
19 --

20 THE COURT: That's less of a point.

21 MR. HUEBNER: -- what issues were.

22 THE COURT: That's important, too, but I think,
23 frankly, the information sharing issue would be important to
24 resolve, hopefully on a consensual basis. And I think it'd
25 be worth -- you know, Monday's a holiday. Saturday and

1 Sunday, people might benefit from a little sleep on all
2 sides and then I would enjoin activity for two weeks while
3 you hopefully, well before then, come back and see if you
4 can agree as you have with the Committee on some further
5 protocol.

6 And I'm not saying it has to be the same protocol
7 as the Committee. I think Mr. Eckstein quite reasonably
8 understood as did some of the objectors that it wouldn't be
9 exactly the same. But a way so that the AGs could be
10 assured that albeit that this is just a 180-day injunction
11 that's being proposed and it's not to lock in a settlement
12 agreement but that on the other hand the Sacklers are not
13 getting a free ride on disclosure.

14 MR. HUEBNER: Yeah, Your Honor, I would say that's
15 -- it would be tempting and maybe if I were wiser than I am
16 I would say absolutely but I think I need to say absolutely
17 but, because as I said this morning, the level of
18 information including current attorney-client --

19 THE COURT: No, I understand that. But I think
20 reasonable attorneys understand that, too. On the other
21 hand --

22 MR. HUEBNER: Do we --

23 THE COURT: -- you don't want to have attorney-
24 client privilege be abused, either. So --

25 MR. HUEBNER: Your Honor --